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ABSTRACT

This publication explains what federal student financial aid is and what types of student aid are available. The introductory section, "Student Aid at a Glance," presents information about what student aid is, who gets it, and how to get it. The second section discusses "Finding out about Student Aid." The next section provides general information about student aid, including eligibility, need, applying, and other details. The fourth section describes the types of student aid available, and the final section outlines student rights and responsibilities. A glossary of "Important Terms" is included. (SLD)

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The Student Guide

Financial Aid 2002-2003

ED 458 858

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Frequently Requested Telephone Numbers

General information about the federal student aid programs, assistance in completing the *Free Application for Federal Student Aid* (FAFSA℠), and information and technical assistance for *FAFSA on the Web* are available through the Federal Student Aid Information Center ..... **1-800-4-FED-AID (1-800-433-3243)***

Callers in locations without access to 800 numbers may call ..... **1-319-337-5665*** (this is not a toll free number)

Number for TTY users to call with federal student aid questions **1-800-730-8913**

To report fraud, waste, or abuse involving federal student aid funds ..... **1-800-MIS-USED (1-800-647-8733)**

Information on the Direct Consolidation Loan Program **1-800-557-7392**

TTY number for Direct Consolidation Loan information **1-800-557-7395**

Useful Web Sites

The Student Guide ..... **www.ed.gov/prog_info/SFA/StudentGuide**

FAFSA on the Web ..... **www.fafsa.ed.gov**

Help in completing the FAFSA ..... **www.ed.gov/prog_info/SFA/FAFSA**

Federal school codes (used to complete the FAFSA) ..... **www.ed.gov/offices/OSFAP/Students/apply.html**

Federal government resources for education ..... **students.gov**

College Opportunities Online (COOL database) ..... **www.nces.ed.gov/ipeds/cool**

U.S. Department of Labor Occupational Outlook Handbook ..... **http://stats.bls.gov/ocohome.htm**

All of these Web sites can be accessed through the U.S. Department of Education's "Financial Aid for Students Home Page" at **www.ed.gov/studentaid**

*Additional information on the services provided by the Federal Student Aid Information Center is provided on page 12.

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The Student Guide is free.

If you paid for a copy of this publication, please write to the following address and give us the name and address of the organization that charged you.

Federal Student Aid Information Center
P.O. Box 84
Washington, DC 20044-0084

The English and Spanish versions of *The Student Guide* are also available online at
www.ed.gov/prog_info/SFA/StudentGuide

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Federal Student Aid at a Glance

This Guide provides you with information on student financial aid from the federal government. These first three pages are an "at a glance" view of the student aid process. The rest of the publication discusses in detail what you need to know about federal student aid. Approximately two-thirds of all student financial aid comes from federal programs administered by the U.S. Department of Education's Student Financial Assistance (SFA) office.

For additional sources of financial aid, other than the federal government, remember to talk to the financial aid administrator at the school you plan to attend, visit the library and the Internet and search under "financial aid" and "student aid."

Beware of scams and services that will search for financial aid money for you for a fee. There is a new law that protects you from this type of fraud (see page 6 for more information).

WHAT is federal student aid?

Federal student aid is financial help for students enrolled in eligible programs* at participating schools to cover school (a four-year or two-year public or private educational institution, a career school or trade school) expenses, including tuition and fees, room and board, books and supplies, and transportation. Most federal aid is need-based. The three most common types of aid are grants, loans, and work-study.

GRANTS...financial aid that does not have to be repaid. Generally, grants are for undergraduate students, and the grant amount is based on need, cost of attendance*, and enrollment status.

Federal Pell Grants for the 2001-2002 school year ranged from $400 to $3,750. At the time this Guide was published, the maximum grant amount for 2002-2003 had not been determined.

Federal Supplemental Educational Opportunity Grants (FSEOG) range from $100 to $4,000.

LOANS...borrowed money that must be repaid with interest. Both undergraduate and graduate students may borrow money. Parents may also borrow to pay education expenses for dependent undergraduate students. Maximum loan amounts depend on the student's year in school.

Federal Stafford Loans are made to students and PLUS loans are made to parents through two loan programs.

*See "Important Terms" Pages 31 to 32

- ☐ William D. Ford Federal Direct Loan (Direct Loan) Program: eligible students and parents borrow directly from the federal government at participating schools. Direct Loans include Direct Stafford Loans, Direct PLUS Loans, and Direct Consolidation Loans.
- ☐ Federal Family Education Loan (FFEL) Program: private lenders provide federally guaranteed funds. FFELs include FFEL Stafford Loans, FFEL PLUS Loans, and FFEL Consolidation Loans.

Perkins Loans are offered by participating schools to provide students that demonstrate the most need with low-interest loans.

WORK-STUDY...lets you earn money while enrolled in school to help pay for education expenses.

NOTE: Not all schools participate in all of the Federal Student Aid programs. Ask your school's financial aid administrator which programs are available.

WHO gets federal student aid?

Some of the requirements (a complete list is available on pages 7 and 8) to receive aid from the U.S. Department of Education's SFA programs are that you must

- ☐ Be a U.S. citizen or eligible noncitizen* with a valid Social Security Number;
- ☐ Have a high school diploma or a General Education Development (GED)* certificate or pass an approved ability-to-benefit (ATB) test;
- ☐ Enroll in an eligible program* as a regular student* seeking a degree or certificate; and
- ☐ Register (or have registered) with the Selective Service if you are a male between the ages of 18 and 25.

HOW do you apply for federal student aid?

1. Complete the Free Application for Federal Student Aid (FAFSA℠)*.

The FAFSA lists deadlines for federal and state aid. Check deadlines! Schools and states may have different deadlines for aid.

- ☐ online at www.fafsa.ed.gov;
- ☐ from a high school guidance office;
- ☐ from a college financial aid office;
- ☐ from a local public library; or
- ☐ from the Federal Student Aid Information Center at 1-800-4-FED-AID (1-800-433-3243)

2. Review your Student Aid Report (SAR).

One to four weeks after you submit your FAFSA, we will send you a SAR. The SAR confirms the information reported on your FAFSA and will tell you your **Expected Family Contribution (EFC)**. The EFC is an index of need that your financial aid administrator will use to determine the amount of federal student aid for which you qualify.

3. Contact the school(s) you may attend.

Talk with the financial aid administrator at the schools you're interested in attending. They will review your SAR and prepare a letter outlining the amount of aid (from all sources) that their school will offer you.

Federal Student Aid at a Glance

The following is a summary of Federal Student Aid Programs that will help you pay for school. Note that not all schools participate in all programs. Check with your school to find out which programs your school participates in.

Federal Student Aid Program	Type of Aid	Other Information	Annual Award Limits	Disbursement
Federal Pell Grant	Grant: does not have to be repaid	Available to undergraduates only	Up to $3,750 for 2001-2002	School acts as the U.S. Department of Education's agent
Campus-Based Aid Programs				
FSEOG	Grant: does not have to be repaid	Not all schools participate in all Campus-Based Programs. For undergraduates only	Up to $4,000	School disburses funds to students
Federal Work-Study	Money is earned, does not have to be repaid	Not all schools participate in all Campus-Based Programs.	No annual maximum	School disburses earned funds to students
Federal Perkins Loan	Loan: must be repaid	Not all schools participate in all Campus-Based Programs.	$4,000 for undergraduate students $6,000 for graduate students	School disburses funds to students
Direct Loan and FFEL Programs				
Subsidized Stafford Loan	Loan: must be repaid	Subsidized: The Department of Education pays interest while the student is in school and during grace and deferment periods	$2,625 to $18,500, depending on grade level	Direct Loans: the federal government provides funds to schools to disburse to students FFEL: private lenders provide funds to schools to disburse to students
Unsubsidized Stafford Loans	Loan: must be repaid	Unsubsidized: The borrower is responsible for interest during the life of the loan	$2,625 to $18,500, depending on grade level	Same as above
PLUS Loan	Loan: must be repaid	Available to parents of dependent undergraduate students	Cost of attendance minus any other financial aid received	Same as above

*See "Important Terms" Pages 31 to 32

Notes

Finding Out About Student Aid

The Student Guide tells you about **federal student aid programs** and how to apply for them. Approximately two-thirds of all student financial aid comes from federal programs administered by the U. S. Department of Education. After reviewing this publication, if you still have questions about these programs, call **1-800-4-FED-AID (1-800-433-3243)**.

NOTE: You will encounter terminology that is new to you but is frequently used in financial aid. Some of these words appear with an asterisk, and you will find a description of them in the "Important Terms" section of the *Guide*. Because you may be unfamiliar with certain acronyms, we spelled them out in each chapter.

The cost of education or training after high school continues to rise. But postsecondary education is more important than ever, so you need to learn about as many sources of aid as you can. The following resources can help you find out about **federal and other student aid**:

- The financial aid administrator at each school in which you're interested can tell you what aid programs are available at the school and how much the total cost of attendance* will be.
- The state higher education agency in your home state can give you information about state aid—including aid from the Leveraging Educational Assistance Partnership (LEAP) Program, which is funded jointly by states and the U.S. Department of Education.
- The AmeriCorps Program provides full-time educational awards in return for work in community service. You can work before, during, or after your postsecondary education, and you can use the funds either to pay current educational expenses or to repay federal student loans. For more information, call **1-800-942-2677**. Information is also available through the Internet at

  www.americorps.org

- The agency responsible in your state for public elementary and secondary schools can give you information on the Robert C. Byrd Honors Scholarship (Byrd) Program. To qualify for aid under the Byrd Program, you must demonstrate outstanding academic achievement and show promise of continued academic excellence.

You can find a list of telephone numbers for state agencies on the inside back cover of this publication.

- **Students.gov**, the student Internet gateway to the U.S. government, provides access to government resources to assist students in planning and paying for their education. **Students.gov** is a federal initiative designed to make interacting with the government easier for students. In addition to finding financial aid information, students can use the Web site to file their taxes, search for a job, and take advantage of other government services.
- Public libraries are an excellent source of information on state and private sources of aid.

*See "Important Terms" Pages 31 to 32

- Many companies, and labor unions, have programs to help pay the cost of postsecondary education for employees and/or their children.
- Sources of financial aid also include foundations, religious organizations, fraternities or sororities, and town or city clubs. Include community organizations and civic groups such as the American Legion, YMCA, 4-H Club, Elks, Kiwanis, Jaycees, and the Girl or Boy Scouts in your search.
- Don't overlook aid from organizations connected with your field of interest. For example, the American Medical Association or the American Bar Association are good sources for students seeking specialization in those fields.
- The U.S. Armed Forces also offer financial aid opportunities. For example, all branches of the U.S. Armed Forces offer the Reserve Officers Training Corps (ROTC) Program, which is a federal merit-based scholarship program that will pay for your tuition, fees, and books and provide you with a monthly allowance. The U.S. Army also offers a student loan repayment enlistment incentive through the Army's student loan repayment program for new recruits who have already attended college and accumulated debt. In return for a three-year enlistment, the Army will repay up to $65,000 on specific federally guaranteed loans to qualified applicants. For more information contact your local recruiter or call 1-800-USA-ARMY. For a complete list of recruitment incentives offered by the U.S. Armed Forces visit the U.S. Department of Defense (DOD) Defenselink Web site at
  www.defenselink.mil/sites/r.html#recruiting or
  www.myfuture.com
- If you serve as an enlisted person in certain specialties of the U.S. Armed Forces, the DOD may, as an enlistment incentive, repay a portion of your loan. Note that this is not a cancellation. If you think you qualify, contact your recruiting officer.
- If you (or your spouse) are a veteran or the dependent of a veteran, veterans' educational benefits may be available. Check with your local U.S. Department of Veterans Affairs office. Information is also available through the Internet at
  www.gibill.va.gov
- The Internet also has information on private sources of aid. Search under the keywords "financial aid," "student aid," "scholarships," etc.

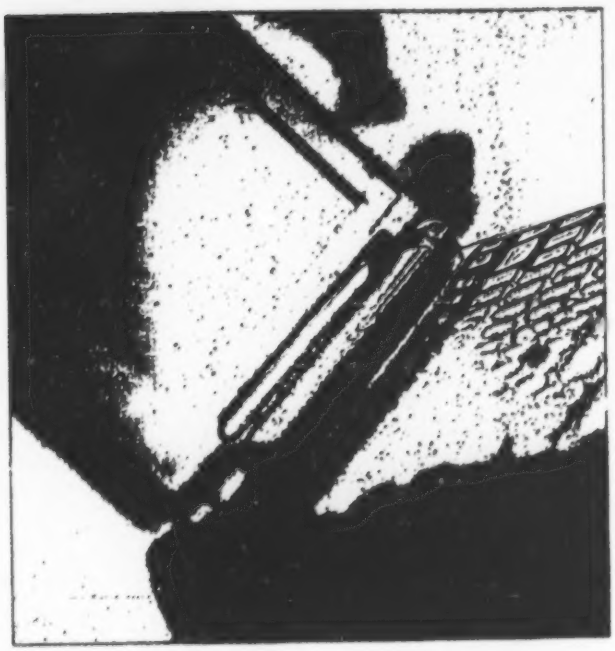
Scholarship Scams

Be careful when searching for information on student financial assistance. Make sure information and offers are legitimate. Don't fall prey to fraud.

Estimates show that families lose millions of dollars to scholarship fraud every year. The College Scholarship Fraud Prevention Act enhances protections against fraud in student financial assistance. The Federal Trade Commission (FTC) cautions students to look for these telltale lines:

- "The scholarship is guaranteed or your money back."
- "You can't get this information anywhere else."
- "I just need your credit card or bank account number to hold this scholarship."
- "We'll do all the work."
- "The scholarship will cost some money."
- "You've been selected by a 'national foundation' to receive a scholarship" or "You're a finalist" in a contest you never entered.

To file a complaint or for free information call **1-877-FTC-HELP (1-877-382-4357)** or visit
www.ftc.gov/scholarshipscams



General Information

The U.S. Department of Education has the following types of Student Financial Assistance (SFA) programs:

Grants are financial aid you don't have to pay back.

- Federal Pell Grants
- Federal Supplemental Educational Opportunity Grants (FSEOGs)

Federal Work-Study lets you work and earn money while enrolled in a postsecondary institution to help pay for school.

Loans are borrowed money that you must repay with interest.

- Stafford Loans
- Federal Perkins Loans
- PLUS Loans
- Consolidation Loans (for federal student loan repayment only). This loan allows borrowers to simplify loan repayment by combining several types of federal student loans into one loan.

Undergraduates may receive grants, loans, and Federal Work-Study.

Graduate students may receive loans and Federal Work-Study, but not Federal Pell Grants (except, in some cases, for attendance in a post-baccalaureate teacher certification program) or FSEOGs.

Not all schools participate in SFA programs; and those that do, might not take part in all programs. To find out which programs (if any) are available at a particular school, contact the financial aid administrator at that school.

Student Eligibility

To receive aid from any of the federal student aid programs discussed in this publication, you must meet **all** of the following criteria:

- have financial need, except for some loan programs.
- have a high school diploma or a General Education Development (GED)* Certificate, pass a test approved by the U.S. Department of Education, meet other standards your state establishes that are approved by the U.S. Department of Education, or complete a high school education in a home school setting that is treated as a home school or private school under state law. See your financial aid administrator for more information.
- be enrolled or accepted for enrollment as a regular student* working toward a degree or certificate in an eligible program.* (You may not receive aid for correspondence or telecommunications courses unless they are part of an associate, bachelor's, or graduate degree program.)
- be a U.S. citizen or eligible noncitizen.*

- ☐ have a valid Social Security Number. If you don't have a Social Security Number, you can find out more about applying for one through the Internet at
  www.ssa.gov
- ☐ meet satisfactory academic progress* standards set by the postsecondary school you are or will be attending.
- ☐ certify that you will use federal student aid only for educational purposes.
- ☐ certify that you are not in default* on a federal student loan and that you do not owe money on a federal student grant.
- ☐ register with the Selective Service,* if required.
- ☐ If you are a male 18 through 25 years of age and you have not yet registered with the Selective Service, you can give the Selective Service permission to register you by checking a box on the FAFSA. You can also register through the Internet at
  www.sss.gov

The law suspends aid eligibility for students convicted under federal or state law of sale or possession of illegal drugs. The period of ineligibility for each student continues until the eligibility date arrives or the student completes an acceptable drug rehabilitation program. If you have a conviction or convictions for these offenses, call 1-800-4-FED-AID (1-800-433-3243) to find out how, or if, this law applies to you. Even if you are ineligible for federal aid you should complete the FAFSA, and answer Question 35 of the FAFSA, because schools use this information in awarding nonfederal aid.

If you leave Question 35 of the FAFSA blank you will automatically become ineligible for federal student aid.

When you apply for aid from the SFA programs, the U. S. Department of Education verifies some of your information with the following federal agencies:

- ☐ Social Security Administration (for verification of Social Security Numbers and U.S. citizenship status),
- ☐ Selective Service System (for verification of Selective Service registration* status, if applicable),
- ☐ U.S. Immigration and Naturalization Service (for verification of eligible noncitizenship status, if applicable),
- ☐ U.S. Department of Justice (for verification that an applicant has not been denied federal student aid by the courts as the result of a drug-related conviction),
- ☐ U.S. Department of Veterans Affairs (for verification of veteran status, if applicable)

Financial Need

Aid from most of the programs discussed in this publication is awarded on the basis of financial need (except for unsubsidized Stafford and PLUS loans).

When you apply for federal student aid, the information you report on the FAFSA is used to calculate your **Expected Family Contribution** (EFC). The formula used to calculate your EFC is established by law and is used to measure your family's financial strength on the basis of your family's income and assets. The EFC is used to determine your eligibility for federal student aid.

If your EFC is below a certain amount, you'll be eligible for a Federal Pell Grant, assuming you meet all other eligibility requirements (see pages 7 and 8). There isn't a maximum EFC that defines eligibility for the other financial aid programs (see pages 13 through 21 for information on these programs). Instead, your EFC is used in the following equation to determine your financial need:

Cost of Attendance

— Expected Family Contribution

= Financial Need

Your financial aid administrator calculates your cost of attendance* and subtracts the EFC. If there's anything left over, you're considered to have financial need. In attempting to meet your need for aid from SFA programs, your financial aid administrator must first consider other aid you're expected to receive.

NOTE: The financial aid administrator puts together a financial aid package* that comes as close as possible to meeting your need. However, because funds are limited, the amount awarded to you might fall short of the amount for which you are eligible.

Your financial aid administrator can adjust data used to calculate your EFC or adjust your cost of attendance* if he or she believes your family's financial circumstances warrant it based on the documentation you provide. However, the financial aid administrator does not have to make such an adjustment. For more information on special circumstances, see page 11.

You can get worksheets that show how the EFC is calculated by downloading them from our Web site at
ifap.ed.gov/efcinformation

You can also get the worksheets by contacting the Federal Student Aid Information Center at the address or phone number given on page 12.

Dependency Status

When you apply for federal student aid, your answers to certain questions will determine whether you're considered dependent on your parents or independent. If you are considered dependent on your parents, their income and assets as well as your own must be reported. If you are independent, report only your own income and assets (and those of your spouse, if you're married). Not living with your parents does not automatically classify you as independent.

Students are classified as dependent or independent because federal student aid programs are based on the principle that students (and their parents or spouse, if applicable) are considered the primary source of support for postsecondary education.

For the 2002-2003 academic year, you're an independent student if at least one of the following applies to you:

- you were born before January 1, 1979;
- you're married;
- you are or will be enrolled in a master's or doctoral program (beyond a bachelor's degree) during the 2002-2003 school year;
- you have children who receive more than half their support from you;
- you have dependents (other than your children or spouse) who live with you and who receive more than half of their support from you and will continue to receive more than half their support from you through June 30, 2003;
- you're an orphan or ward of the court (or were a ward of the court until age 18); or
- you're a veteran of the U.S. Armed Forces ("veteran" includes students who attended a U.S. service academy and who were released under a condition other than dishonorable).

In unusual cases, an aid administrator can determine that a student who doesn't meet the above criteria should still be treated as an independent student. The financial aid administrator can change the dependency status if he or she thinks circumstances warrant it based on the documentation provided by the student. But remember, the aid administrator won't automatically do this. **The decision is based on their judgment and is final—it can't be appealed to the U.S. Department of Education.**

Applying

What form do I use?

If you applied for federal student aid for the 2001-2002 school year, you probably will be able to file a 2002-2003 Renewal FAFSA. Renewal FAFSAs are discussed on page 10.

If you did not apply for federal student aid for the 2001-2002 school year, you can apply for federal aid for the 2002-2003 school year by completing and submitting the 2002-2003 FAFSA. You may submit a FAFSA

- through the Internet by using *FAFSA on the Web*;
- by mailing a paper FAFSA;
- by having your school submit your application electronically (check with your school to see if this option is available).

FAFSA on the Web. This is a free U.S. Department of Education Web site where you can complete a FAFSA online and submit it via the Internet. You can access *FAFSA on the Web* on a computer equipped with Internet capability. The Internet address is

www.fafsa.ed.gov

If you have access to the Internet, you should use *FAFSA on the Web*. *FAFSA on the Web* submits your data directly to the U.S. Department of Education's Central Processing System (CPS). The CPS will process your application within 72 hours.

If you apply using *FAFSA on the Web*, help in completing the application is built into the program and at www.ed.gov/prog_info/SFA/FAFSA. You can also contact the toll-free number of Federal Student Aid Information Center with your FAFSA questions (see page 12 for contact information).

Who gets a PIN and what is it for?

The Department mailed a PIN to students who applied for aid for the 2001-2002 award year. The PIN serves as your identifier to let you access your personal information in various U.S. Department of Education systems. It's like the personal identification number that you get from your bank that enables you to access your account. Your PIN serves as your electronic signature. You should not give it to anyone.

Because electronic signatures hold the same legal status as written signatures, students and parents of dependent students applying for aid may electronically sign their *FAFSA on the Web* application by using their PIN. This will allow the student aid process to be completed totally online.

If you are a new applicant and you or your parents do not have a PIN be sure to request one at

www.pin.ed.gov

You can request a PIN before completing the FAFSA so that you may electronically sign your application. You can request a PIN as early as your senior year in high school and your parents should request one before you complete the application. Or, you may first complete the application, request a PIN (this might take a few days), then go back to *FAFSA on the Web* and electronically sign your application.

You will need to provide your name, Social Security Number, date of birth, and mailing address, and submit the request. When the submission has been successfully completed a confirmation number will appear on the screen. If all the information provided is correct, and is verified with other federal agencies, a PIN will be generated and mailed to you via the U.S. Postal Service. As of January 2002, students and parents will have the option of having their PIN sent by e-mail to them.

You can use your PIN to

- electronically sign your *FAFSA on the Web*;
- electronically sign a master promissory note*;
- make corrections to your application information;
- access your applicant data records online. You can, among other things, check your student loan history

through the Department of Education's National Student Loan Data System (NSLDS) and access your loan account through Direct Loan Servicing;

- ☐ access your processed FAFSA data from the CPS, including your SAR;
- ☐ complete your Renewal FAFSA; and
- ☐ have your parents electronically sign the FAFSA, Renewal FAFSA, and correction forms on the Web. Parents can also sign the PLUS loan application.

If you have questions about the PIN process, call **1-800-433-3243.**

Electronic submission by your school. If you want your school to submit your application electronically, which is different than submitting the application via the Internet, you must check with your school or the school that interests you to make sure that it offers this option.

Applying by mail. If you would like to apply by completing a paper FAFSA, you can get a paper FAFSA from your high school, local library, postsecondary school, or from the Federal Student Aid Information Center at the address or phone number given on page 12.

Help in completing the FAFSA is available from our Web site at

www.ed.gov/prog_info/SFA/FAFSA

Read the instructions carefully when you complete the FAFSA or the Renewal FAFSA. Most mistakes are made because students don't follow instructions. Pay special attention to questions on income because most errors occur in this area.

You should save all records and all other materials used in completing the application because you might need them later to prove that the information you reported is correct. The process of proving that your information is correct is called **verification**. If verification is required, and you don't provide the proof the school requests, you won't receive aid from the SFA programs, and you might not receive aid from other sources.

You should make a photocopy of your application (or print out a copy of your *FAFSA on the Web* application) before you submit it. This way, you have a copy of the data you submitted for your own records.

What is the Renewal FAFSA?

If you applied for federal student aid last year, you might qualify to use a Renewal FAFSA. Renewal FAFSAs for the 2002-2003 academic year are available on *FAFSA on the Web* in November and December 2001 if you applied through the Internet. If you applied using the paper FAFSA, Renewal FAFSAs for the 2002-2003 academic year will be mailed to you in November and December 2001.

The Renewal FAFSA has fewer questions to answer. In addition, most of the information on the form will be filled in already and will be the same as the information you provided in 2001-2002. You'll only have to add some new information and update information that has changed since 2001-2002. Check with your financial aid administrator if you have questions about the Renewal FAFSA or contact the Federal Student Aid Information Center at the address or toll-free number listed on page 12.

The Renewal FAFSA is available on *FAFSA on the Web* and in print version. The Department mailed PINs to all students who applied for financial aid for 2001-2002; you can use the PIN to sign your Renewal *FAFSA on the Web*.

Will I need to fill out forms in addition to the FAFSA to receive aid?

For most of the federal student aid programs, the FAFSA (or Renewal FAFSA) is the only form you need to file. To receive a PLUS Loan, your parents will have to complete additional forms (see page 19).

Remember, applying for federal student aid is **FREE**.

To be considered for nonfederal aid such as institutional aid (aid from the school), you might have to fill out additional nonfederal forms. Check with your school to see if additional nonfederal applications are necessary. Be sure to ask about any deadline dates.

When do I apply?

Apply as soon as you can **AFTER January 1, 2002** as possible. (You can't apply before this date.) If you want to apply through *FAFSA on the Web*, you can apply beginning January 2, 2002. It's easier to complete the application when you already have your completed 2001 income tax return, so you may want to complete your income tax return as early as possible. Do not sign (in print or electronic format), date, or send your application before January 1, 2002.

If you apply by mail, send your completed application in the envelope provided. It is already addressed and using it will ensure that your application reaches the correct address.

NOTE: You must reapply for federal student aid every year. Also, if you change schools, your aid doesn't automatically go with you. Check with your new school to find out what steps you must take to continue receiving aid.

What happens after I apply?

After your completed application is received by the Department's processing system, you will be sent a **Student Aid Report (SAR)**. The SAR outlines the information you provided on the FAFSA and, if there are not any questions or need for additional information, your SAR will report your Expected Family Contribution (EFC), the number used in determining your eligibility for federal student aid. Your EFC will appear in the upper right-hand portion of your SAR. The results will be sent to you and to the schools that you list on your application.

If you apply electronically you'll receive a SAR Information Acknowledgement in the mail up to two weeks after you submit your completed application.

If you apply by mail, it will take about four weeks for your FAFSA to be processed and for you to receive a SAR in the mail.

Whether you apply electronically or with a paper form, the Department will send your data electronically to the schools you list on the FAFSA.

If it's been more than four weeks since you submitted your application and you haven't heard anything, you can check on your application through the *FAFSA on the Web* site, even if you didn't apply using *FAFSA on the Web*. You can also check on your application by contacting the Federal Student Aid Information Center at the address or toll-free number listed on page 12.

If you submit a paper FAFSA or paper Renewal FAFSA, you can use the postcard found in the application to track the processing of your application. You must fill in the postcard with the required information, attach a stamp, and mail it with your application. When the processor receives your application, the postcard will be stamped with the date that it is received and mailed back to you for your files. If you do not receive your SAR within four weeks of the date stamped on the postcard, you can contact the Federal Student Aid Information Center at the address or phone number listed on page 12 and refer to the date stamped on the postcard.

What happens after I receive my SAR?

When you receive your SAR, you must review it carefully to make sure it's correct and complete.

If any changes to your SAR are necessary, you can make corrections in a number of ways.

- ☐ You can make corrections online through the Department of Education's *FAFSA on the Web* site, even if you didn't apply using *FAFSA on the Web*.
- ☐ Your school may be able to submit the corrections electronically.
- ☐ You can make corrections on the SAR and return it to the address provided. If you don't have a copy of your SAR, you can request a duplicate copy from the Federal Student Aid Information Center at the address or toll-free number on page 12. (If you send a written request for a duplicate SAR, make sure you include in the request your full name, permanent address, Social Security Number, date of birth, the school year for which you are applying for aid, and signature.) Your duplicate SAR will be sent to the address you reported on your application. If your address has changed, include your old and new mailing addresses along with a request of change of address.

If you want to have your application information sent to a school that you did not list on your SAR, you may

- ☐ contact the Federal Student Aid Information Center (see page 12) to have your information sent to the school,
- ☐ give the school permission to request your information, or
- ☐ correct your SAR to add the school.

If you ask the Federal Student Aid Information Center to send your information or give permission to the school to request the information, you'll need to provide your Data Release Number (DRN), which is located in the upper right portion of your SAR.

If your address changes after you receive your SAR, you should correct your address as soon as possible. You can do this online at the *FAFSA on the Web* site, by contacting the Federal Student Aid Information Center at the address or toll-free number given on page 12 (you'll need to provide your DRN), or by correcting the SAR and mailing it to the address listed on the SAR.

Special Circumstances

Although the formulas used to determine eligibility for federal student aid is basically the same for all applicants, there is some flexibility.

In some cases, your financial aid administrator might adjust your cost of attendance* or the information used to calculate your EFC to take into account any special circumstances you may have. These circumstances could include a family's unusual medical expenses or tuition expenses. Also, an adjustment might be made if you, your spouse, or either of your parents (if applicable) have been recently unemployed. If conditions such as these apply to you or your family, contact your financial aid administrator.

Check with your financial aid administrator if you feel you have any other special circumstances that might affect your dependency status or the amount you and your family are expected to contribute. But remember, there have to be very good reasons for the financial aid administrator to make any adjustments, and you'll have to provide adequate proof to support those adjustments. Also, remember that the financial aid administrator's decision is final and cannot be appealed to the U.S. Department of Education.

Withdrawals

The law requires that if you withdraw from school the amount of SFA program assistance that you have "earned" up to that point is determined by a specific formula. If you received more assistance than you earned, the excess funds must be returned.

The amount of assistance that you have earned is determined on a pro-rata basis. That is, if you completed 30 percent of the payment period or period of enrollment, you earn 30 percent of the assistance you were originally scheduled to receive. Once you have completed more than 60 percent of the payment period or period of enrollment, you earn all of your assistance.

If you received excess funds that must be returned, your school can explain what portion of those funds must be returned by you.

*See "Important Terms" Pages 31 to 32

Deadlines

Application Submission

The application processor must receive your application by **July 1, 2003,** for the 2002-2003 school year.

THERE ARE NO EXCEPTIONS TO THIS DEADLINE.

Apply as soon as you can on or **AFTER January 1, 2002,** but as soon as you can. (Please note that your application will NOT be accepted before January 1, 2002. You should not sign, date, or send your application before this date.) If you want to apply through *FAFSA on the Web*, you can apply beginning January 2, 2002. Schools set deadlines by which students must apply for aid from the programs that the school administers. These school deadlines, and deadlines for state aid, are often early in the calendar year. Students must meet these deadlines to receive certain types of funds, including FSEOG, Federal Work-Study, and Federal Perkins Loan program funds (see pages 23 and 24). Check with your school's financial aid administrator to find out what the deadlines are.

SAR Submission

Your correct, complete application information must be at your school by your last day of enrollment in 2002-2003 or by September 2, 2003, whichever is earlier (see your financial aid administrator). If your school has not received your application information electronically, you must submit your SAR to the school by the deadline. Be sure you know your last day of enrollment in 2002-2003—it may be earlier than September 2.

NOTE: If you're selected for verification (see page 10), additional deadlines apply to you. Your financial aid administrator can tell you what they are.

The Federal Student Aid Information Center

The Center can answer your questions at

1-800-4-FED-AID (1-800-433-3243)

Information specialists at this number can

- ☐ assist you in completing the FAFSA.
- ☐ assist you in making corrections to your SAR.
- ☐ tell you whether a school participates in the federal student aid programs and tell you that school's student loan default* rate.
- ☐ explain federal student aid eligibility requirements.
- ☐ explain the process of determining financial need and awarding aid.
- ☐ have your application information sent to a specific school.
- ☐ send federal student aid publications to you.

You may use an automated response system at this number to

- ☐ find out if your FAFSA application has been processed.
- ☐ request a copy of your SAR.

TTY users may call 1-800-730-8913 with any federal student aid questions.

Callers from locations that do not have access to 800 numbers may call 1-319-337-5665. This is not a toll-free number.

You can also write to the Federal Student Aid Information Center at the following address:

Federal Student Aid Information Center
P.O. Box 84
Washington, DC 20044-0084

For a list of other frequently requested telephone numbers and Web sites, see the inside front cover of this guide.

Types of Federal Student Aid

Federal Pell Grants

What is a Federal Pell Grant?

A Federal Pell Grant, unlike a loan, does not have to be repaid. Generally, Pell Grants are awarded only to undergraduate students who have not earned a bachelor's or professional degree. (A professional degree is usually earned after earning a bachelor's degree in a field such as medicine, law, or dentistry.) In some cases, you might receive a Pell Grant for attending a post-baccalaureate teacher certificate program.

How do I qualify?

To determine if you're eligible financially, the U.S. Department of Education uses a standard formula, established by Congress, to evaluate the information you report when you apply (see "Financial Need" on page 8). The formula produces an EFC number. Your SAR contains this number, in the upper right portion of page 1. This number will determine if you are eligible for a Pell Grant and for how much.

How much money can I get?

Pell Grants for the 2002-2003 award year (July 1, 2002 to June 30, 2003) will depend on program funding. The maximum Pell Grant for the 2001-2002 award year was $3,750. You can receive only one Pell Grant in an award year. How much you get will depend not only on your EFC but also on your cost of attendance,* whether you're a full-time or part-time student, and whether you attend school for a full academic year* or less. You may not receive Pell Grant funds from more than one school at a time.

How will I be paid?

Your school can credit the Pell Grant funds to your school account, pay you directly (usually by check), or combine these methods. The school must tell you in writing how and when you'll be paid and how much your Pell Grant will be. Schools must pay you at least once per term (semester, trimester, or quarter). Schools that do not use formally defined, traditional terms must pay you at least twice per academic year.*

Can I receive a Federal Pell Grant if I am enrolled less than half time?*

Yes, if you're otherwise eligible. You won't receive as much as if you were enrolled full time, but your school must disburse your Pell Grant funds in accordance with your enrollment status and cannot refuse you an award simply because you're enrolled less than half time.*

*See "Important Terms" Pages 31 to 32

Stafford Loans

Stafford Loans are a major form of self-help aid for students. Depending on the school you attend, your Stafford Loans may be made either through the **Direct Loan Program** or through the **FFEL Program.** Generally, schools participate in the Direct Loan Program or the FFEL Program, but not both. Direct and FFEL Stafford Loans have identical eligibility requirement and loan limits. The major difference between the two programs is the source of the loan funds and repayment options. Under the Direct Loan Program, the U.S. government loans you the funds. Under the FFEL Program, the funds for your loan are lent to you from a private lender (a bank, credit union, or other lender that participates in the FFEL Program). Loan repayment options differ somewhat (see pages 18 and 19).

The Direct Loan and FFEL programs also offer PLUS Loans to parents of dependent students (see page 19) and Consolidation Loans (see page 21).

What kinds of Stafford Loans are available?

Direct and FFEL Stafford Loans are either subsidized or unsubsidized. You can receive a subsidized loan and an unsubsidized loan for the same enrollment period.

A **subsidized** loan is awarded on the basis of financial need (see page 8). You will not be charged any interest before you begin repayment or during authorized periods of deferment (see page 16). The federal government "subsidizes" the interest during these periods.

An **unsubsidized** loan is not awarded on the basis of need. You'll be charged interest from the time the loan is disbursed until it is paid in full. If you allow the interest to accumulate while you are in school or during other periods of nonpayment, it will be **capitalized**—that is, the interest will be added to the principal amount of your loan and additional interest will be based upon the higher amount.

NOTE: If your interest is capitalized, it will increase the amount you have to repay. If you choose to pay the interest as it accumulates, you'll repay less in the long run.

Who can get a Stafford Loan?

If you're a regular student* enrolled in an eligible program* at least half time,* you may receive a Direct or FFEL Stafford Loan. You must also meet other general eligibility requirements (see pages 7 and 8).

How much can I borrow?

If you're a dependent undergraduate student (see page 8) you can borrow annually up to

- $2,625 if you're a first-year student enrolled in a program of study that is at least a full academic year.*
- $3,500 if you've completed your first year of study and the remainder of your program is at least a full academic year.*
- $5,500 if you've completed two years of study and the remainder of your program is at least a full academic year.*

If you're an independent undergraduate student (see pages 8 and 9) or a dependent student whose parents are unable to get a PLUS Loan (see page 19), you can borrow annually up to

- $6,625 if you're a first-year student enrolled in a program of study that is at least a full academic year* (only $2,625 of this amount may be in subsidized loans).
- $7,500 if you've completed your first year of study and the remainder of your program is at least a full academic year* (only $3,500 of this amount may be in subsidized loans).
- $10,500 if you've completed two years of study and the remainder of your program is at least a full academic year* (only $5,500 of this amount may be in subsidized loans).

For periods of study that are less than an academic year,* the amounts you can borrow will be less than those listed. Talk to your financial aid administrator to find out how much you can borrow.

NOTE: Stafford Loans are not made to students enrolled in programs that are less than one-third of an academic year.*

Generally, if you're a graduate student, you can borrow up to $18,500 each academic year.* (Only $8,500 of this amount may be in subsidized Stafford Loans.)

NOTE: The amounts given above are the maximum yearly amounts you can borrow in both subsidized and unsubsidized loans. You might receive less than these yearly maximum amounts if you receive other financial aid that is used to cover a portion of your cost of attendance.*

Generally, the total debt you can have outstanding from all Stafford Loans combined is

- $23,000 as a dependent undergraduate student.
- $46,000 as an independent undergraduate student (only $23,000 of this amount may be in subsidized loans).
- $138,500 as a graduate or professional student (only $65,500 of this amount may be in subsidized loans). The graduate debt limit includes any Stafford Loans received for undergraduate study.

NOTE: Your school can refuse to certify your loan application, or can certify a loan for an amount less than you would otherwise be eligible for if the school documents the reason for its action and explains the reason to you in writing. The school's decision is final and cannot be appealed to the U.S. Department of Education.

Annual Loan Limits for Subsidized and Unsubsidized Stafford Loans

Dependent Undergraduate Student		Independent Undergraduate Student		Graduate Student
1st Year	$2,625	1st Year Only $2,625 of this amount may be in subsidized loans.	$6,625	Up to $18,500 each academic year (only $8,500 of this amount may be in subsidized loans).
2nd Year	$3,500	2nd Year Only $3,500 of this amount may be in subsidized loans.	$7,500	
3rd and 4th Years	$5,500	3rd and 4th Years Only $5,500 of this amount may be in subsidized loans.	$10,500	
Maximum total debt from Stafford Loans when you graduate				
$23,000 as a dependent undergraduate student		$46,000 as an independent undergraduate student (only $23,000 of this amount may be in subsidized loans).		$138,500 as graduate or professional student (only $65,500 of this amount may be in subsidized loans). The graduate debt limit includes Stafford Loans received for undergraduate study.

How will I receive my Stafford Loan?

The loan funds will be sent to your school. In most cases, your loan will be disbursed in at least two installments, and no installment will be greater than half the amount of your loan.

Your loan money must first be used to pay for your tuition, fees, and room and board. If loan money remains, you'll receive the funds by check or in cash unless you give the school written permission to hold the funds until later in the enrollment period.

If you're a first-year undergraduate student and a first-time borrower, your first disbursement cannot be made until 30 days after the first day of your enrollment period. This way, you won't have to repay the loan if you withdraw during the first 30 days of classes. However, you might owe money to the school for a portion of tuition or other fees. This 30-day delayed disbursement requirement does not apply at schools with particularly low loan default* rates.

Will I have an opportunity to cancel my loan after I sign the promissory note?*

Yes. Your school must notify you in writing whenever it credits your account with your Stafford Loan funds. This notification must be sent to you no earlier than 30 days before and no later than 30 days after the school credits your account. You may cancel all or a portion of your loan if you inform your school that you wish to do so within 14 days after the date that your school sends you this notice, or by the first day of the payment period, whichever is later. Your school can tell you the first day of your payment period. If you receive Stafford Loan funds directly by check, you may refuse the funds by returning the check.

What's the interest rate charged on these loans?

The interest rate on your loan is variable (might change each year) but will never exceed 8.25. The interest rate for loans in repayment from July 1, 2001 to June 30, 2002, was calculated at 5.99 percent. The interest rate is adjusted each year on July 1. You'll be notified of interest rate changes throughout the life of your loan.

Congress changed the interest rate calculation for Stafford Loans made on or after July 1, 1998. If you have loans that were first disbursed before July 1, 1998, the interest rate on these loans might be different. For interest rates on a FFEL Stafford Loan, check with your lender. For interest rates on a Direct Stafford Loan, check with the Direct Loan Servicing Center (see page 16).

If you have subsidized loans (see page 14) you will not be charged interest while you're enrolled in school at least half time,* during a grace period, or during authorized periods of deferment (see page 16). Interest will begin to accrue—that is, accumulate—when you enter repayment.

If you have unsubsidized loans, you'll be charged interest from the day the loan is disbursed until it is paid in full, including in-school, grace, and deferment periods. You may choose to pay the interest during these periods, or it can be capitalized (see page 14).

*See "Important Terms" Pages 31 to 32

Is there a charge for these loans?

You'll pay a fee of up to 4 percent of the loan. This fee is deducted proportionately from each disbursement of your loan. For a FFEL Stafford Loan, a portion of this fee goes to the federal government and a portion goes to the guaranty agency* to help reduce the cost of the loans. For a Direct Stafford Loan, the entire fee goes to the government to help reduce the cost of the loans. Also, if you don't make your loan payments when they're scheduled, you may be charged collection costs and late fees.

When do I pay back these loans?

After you graduate, leave school, or drop below half time* enrollment, you have six months before you begin repayment. This is called a "grace period."

During the grace period on a subsidized loan, you don't have to pay any principal, and no interest will be charged. During the grace period on an unsubsidized loan, you don't have to pay any principal, but interest will be charged. You can either pay the interest or it will be capitalized (see page 14).

After you leave school or drop below half time* enrollment, your lender will send you information about repayment and you will be notified of the date repayment begins. However, you are responsible for beginning repayment on time, even if you don't receive this information. Failing to make payments on your loan may have a negative effect on your credit rating.

Are there any tax credits available for paying back student loans?

Two federal income tax credits—dollar-for-dollar reductions in tax liability—are available for higher education expenses. The Hope tax credit, worth up to $1,500 per student, is available to first- and second-year students enrolled at least half time.* The Lifetime Learning tax credit is a tax benefit equal to 20 percent of a family's tuition expenses, up to $5,000, for virtually any postsecondary education and training, including subsequent undergraduate years, graduate and professional schools, and even less than half time* study.

For more information on the Hope and Lifetime Learning tax credits, and other tax benefits for postsecondary students, visit

www.ed.gov/updates/97918tax.html

or see the Internal Revenue Service's (IRS) Publication 970. You can get a copy of Publication 970 *Tax Benefits for Higher Education* by calling **1-800- TAX-FORM (1-800-829-3676)**. You can also view or download the publication from the Internet at

www.irs.gov/prod/forms_pubs/

Interest that you pay on your student loans might be tax deductible.

Is it ever possible to postpone repayment of my loan?

Yes. Under certain conditions, you can receive a deferment or forbearance on your loan. A **deferment** allows you to temporarily postpone payments on your loan. If you have a subsidized loan, you will not be charged interest during the deferment. If your loan is unsubsidized, you will be responsible for the interest on the loan during the deferment. If you don't pay the interest as it accrues, it will be capitalized and increase the amount you will have to pay (see page 14). See page 28 for the list of deferments available.

For information on deferments available to borrowers with outstanding loans received prior to that date, FFEL Stafford borrowers should contact the lenders or agencies holding the loans. Direct Stafford Loan borrowers should contact the Direct Loan Servicing Center at

The Direct Loan Servicing Center

Borrower Services: 1-800-848-0979 or 1-315-738-6634
Fax: 1-800-848-0984
TTY: 1-800-848-0983
www.dlservicer.ed.gov

You can't receive a deferment if your Stafford Loan is in default.*

If you are temporarily unable to meet your repayment schedule but are not eligible for a deferment, you might receive **forbearance** for a limited and specified period. During forbearance, your payments are postponed or reduced. Whether your loans are subsidized or unsubsidized, you will be charged interest. If you don't pay the interest as it accrues, it will be capitalized.

For example, you might be granted forbearance if you are

- ☐ unable to pay due to poor health or other unforeseen personal problems.
- ☐ serving in a medical or dental internship or residency.
- ☐ serving in a position under the National Community Service Trust Act of 1993 (forbearance may be granted for this reason for a Direct or FFEL Stafford Loan, but not for a PLUS Loan).
- ☐ obligated to make payments on certain federal student loans that are equal to or greater than 20 percent of your monthly gross income.

Deferments and forbearances are not automatic. If you have a Direct Stafford Loan, you must contact your Direct Loan Servicing Center to request either option. If you have a FFEL Stafford Loan, you must contact the lender or agency that holds your loan. For either program, you might have to provide documentation to support your request. You must continue making scheduled payments until you receive notification that the deferment or forbearance has been granted. Failing to make payments on your loan might have a negative effect on your credit rating.

Can my loan be discharged (canceled)?

Yes, in certain circumstances. A discharge releases you from all obligations to repay the loan. A complete listing of cancellation provisions is given below.

Your loan **can't be canceled** because you didn't complete the program of study at the school (unless you were unable to complete the program because the school closed), didn't like the school or the program of study, or didn't obtain employment after completing the program of study.

Repayment assistance (not a discharge but another way to satisfy your obligation to repay) might be available if you serve in the military. For more information, contact your recruiting officer.

For more information about discharge or repayment assistance, Direct Stafford Loan borrowers should contact the Direct Loan Servicing Center. FFEL Stafford Loan borrowers should contact the lenders or agencies that hold their loans.

Direct Stafford Loans

How do I apply for a Direct Stafford Loan?

First, you must complete the 2002-2003 FAFSA or Renewal FAFSA (see page 9). After your FAFSA is processed, your school will review the results and will inform you of your loan eligibility.

You must then complete the promissory note* provided by your school. Remember, the promissory note is a **legal document** requiring you to repay the loan. Read it carefully before you sign.

How do I pay back my Direct Stafford Loan?

The Direct Loan Program offers four repayment plans. The repayment plans will be explained in more detail during entrance and exit counseling sessions at your school. The chart on page 18 shows estimated monthly payments for various loan amounts under each of the plans. In some cases, it may be beneficial for you to consolidate one or more of your Direct Stafford Loans into a Consolidation Loan. See page 21 for more information on loan consolidation.

Stafford Loan Discharge/Cancellation Summary

Cancellation Conditions	Amount Forgiven	Notes
Borrower's total and permanent disability or death	100%	For a PLUS Loan, includes death but not disability of the student for whom the parents borrowed.
Full-time teacher for five consecutive years in a designated elementary or secondary school serving students from low-income families	Up to $5,000 of the aggregate loan amount that is outstanding after completion of the fifth year of teaching. A borrower might qualify for loan forgiveness under the Direct Consolidation and the FFEL Consolidation Loan Programs. Only the portion of the consolidation loan that was used to repay Stafford Loans qualifies.	For Direct and FFEL Stafford Loans received on or after October 1, 1998, by a borrower with no outstanding loan balance as of that date. The five consecutive years of teaching must all occur after the 1997-98 academic year. (To find out whether your school is considered a low-income school, visit www.ed.gov/studentaid/payback.html or call 1-800-4-FED-AID.)
Bankruptcy (in rare cases)	100%	Cancellation is possible **only** if the bankruptcy court rules that repayment would cause undue hardship.
Closed school (before student could complete program of study) or false loan certification	100%	For loans received on or after January 1, 1986.
School does not make required return of loan funds to the lender	Up to the amount that the school was required to return	For loans received on or after January 1, 1986.

*See "Important Terms" Pages 31 to 32

You may choose one of the following repayment plans.

- The **Standard Repayment Plan** requires you to pay a fixed amount each month—at least $50—for up to 10 years. The length of your actual repayment period will depend on your loan amount.
- The **Extended Repayment Plan** allows you to extend loan repayment over a period that is generally 12 to 30 years, depending on your loan amount. Your monthly payment might be lower than it would be if you repaid the same total loan amount under the Standard Repayment Plan, but you will repay a higher total amount of interest over the life of your loan because the repayment period is longer. The minimum monthly payment is $50.
- Under the **Graduated Repayment Plan**, your payments will be lower at first and then increase usually every two years. The length of your repayment period will generally range from 12 to 30 years, depending on your loan amount. Your monthly payment may range from 50 percent to 150 percent of what it would be if you were repaying the same total loan amount under the Standard Repayment Plan. However, you'll repay a higher total amount of interest because the repayment period is longer than it is under the Standard Repayment Plan.
- The **Income Contingent Repayment Plan** bases your monthly payment on your yearly income, family size, and loan amount. As your income rises or falls, so do your payments. After 25 years, any remaining balance on the loan will be forgiven, but you might have to pay taxes on the amount forgiven.

Loan payments are made to the U.S. Department of Education. For more information on repayment options, you can access the *Direct Loans Repayment Book* on the Internet at

www.ed.gov/offices/OSFAP/DirectLoan/index.html

What are repayment incentives?

Incentives are sometimes offered to students who repay their loans on time. These incentives might come in the form of interest rate rebates or reductions. For information on repayment incentives and their availability contact the Direct Loan Servicing Center (see page 16) for Direct Loans. If you have a FFEL, you must contact your lender.

Examples of Typical Beginning Payments for Stafford Loan Repayment Plans[1]

Monthly Payments and Total Repaid Under Different Repayment Plans

	Standard[2]		Extended		Graduated		For Direct Loans Only: Income Contingent[3] (Income = $25,000)			
							Single		Married/HOH[4]	
Total Debt When Borrower Enters Repayment	Per Month	Total Repaid	Per Month	Total Repaid	Per Month	Total Repaid	Per Month	Total Repaid	Per Month	Total Repaid
$2,500	$50	$3,074	$50	$3,074	$25	$4,029	$22	$4,560	$21	$4,941
5,000	61	7,359	55	7,893	35	8,646	45	9,120	42	9,482
7,500	92	11,039	82	11,840	53	12,970	67	13,680	64	14,223
10,000	123	14,718	97	17,462	69	19,175	90	18,240	85	18,964
15,000	184	22,078	146	26,194	103	28,762	135	27,360	127	28,446

1. Note: Payments are calculated using the maximum interest rate of 8.25% for student borrowers. The interest rate for loans on repayment from July 1, 2001 to June 30, 2002, was calculated at 5.99 percent. The interest rate is adjusted each year on July 1.
2. Equal and fixed monthly payments ($50 minimum).
3. Assumes a 5% annual income growth (Census Bureau).
4. HOH is Head of Household. Assumes a family size of two.

FFEL Stafford Loans

How do I apply for a FFEL Stafford Loan?

First, you must complete the 2002-2003 FAFSA or Renewal FAFSA (see page 9). After your FAFSA is processed, your school will review the results and will inform you about your general loan eligibility.

Next, you must complete the promissory note.* Remember, the promissory note is a legal document requiring you to repay the loan. Read it carefully before you sign.

How do I pay back my FFEL Stafford Loan?

There are three repayment plans that are available to borrowers of FFEL Stafford Loans. The repayment plans will be explained in more detail during entrance and exit counseling sessions provided by your school. The chart on page 18 shows examples of estimated monthly payments for various loan amounts under each of the plans. Aspects of these repayment plans will vary by lender. Check with your lender for complete information.

In some cases it may be beneficial for you to consolidate one or more of your FFEL Stafford Loans into a Consolidation Loan. See page 21 for more information on loan consolidation.

You may choose one of the following repayment plans.

- The **Standard Repayment Plan** requires you to pay a fixed amount each month—at least $50.
- Under a **Graduated Repayment Plan**, your payments will be lower at first and then increase over time. Each of your payments must at least equal the interest accrued on the loan between scheduled payments.
- An **Income Sensitive Repayment Plan** bases your monthly payment on your yearly income and your loan amount. As your income rises or falls, so do your payments. Each of your payments must at least equal the interest accrued on the loan between scheduled payments.
- The **Extended Repayment Plan** is available to new FFEL borrowers who received their first loan on or after October 7, 1998, and who have FFELs totaling more than $30,000. Under the Extended Repayment Plan, your payments will be fixed or graduated (lower at first and then increased over time) over a period of up to 25 years.

You are allowed to pick a different repayment plan once a year. Your repayment plan will not change unless you request a change. If you do not choose a repayment plan when you first begin repayment, you will repay under the Standard Repayment Plan.

PLUS Loans (Loans to Parents)

PLUS Loans enable parents who do not have an adverse credit history to borrow to pay the education expenses of each child who is a dependent undergraduate student (see pages 8 and 9) enrolled at least half time.* PLUS Loans are available through both the Direct Loan and FFEL programs. Most of the benefits to parent borrowers are identical in the two programs.

Are there any borrowing requirements my parents have to meet?

Yes. To be eligible to receive a PLUS Loan, your parents generally will be required to pass a credit check. If they don't pass the credit check, they might still be able to receive a loan if someone, such as a relative or friend who is able to pass the credit check, agrees to endorse the loan and promises to repay it if your parents should fail to do so. Your parents might also qualify for a loan even if they don't pass the credit check if they can demonstrate that extenuating circumstances exist. You must meet the general eligibility requirements for federal student aid (see pages 7 and 8). Your parents must also meet some of these general requirements. For example, your parents must meet citizenship* requirements and may not be in default* or owe a refund to any SFA program.

How much can my parents borrow?

The yearly limit on a PLUS Loan is equal to your cost of attendance* minus any other financial aid you receive. For example, if your cost of attendance* is $6,000 and you receive $4,000 in other financial aid, your parents could borrow up to—but no more than—$2,000.

NOTE: Your school can refuse to certify your parents' loan application, or can certify a loan for an amount less than they would otherwise be eligible for, if the school documents the reason for its action and explains the reason to your parents in writing. The school's decision is final and cannot be appealed to the U.S. Department of Education.

What's the interest rate on PLUS Loans?

The interest rate could change each year of repayment, but, by law, it will never exceed 9 percent. The interest rate for PLUS Loans in repayment from July 1, 2001 to June 30, 2002, was calculated at 6.79 percent. The interest rate is adjusted each year on July 1. Your parents will be notified of interest rate changes throughout the life of their loan. Interest is charged on the loan from the date that the first disbursement is made until the loan is paid in full.

Congress changed the interest rate calculation for PLUS loans made on or after July 1, 1998. If your parents had PLUS loans that were first disbursed before July 1, 1998, the interest rate on these loans might be different.

How will my parents be paid?

For a Direct PLUS Loan, the U.S. Department of Education will send the loan funds to your school. For a FFEL PLUS Loan, the loan funds will be sent to your school by the lender. In most cases, the loan will be disbursed in at least two installments, and no installment will be greater than half the loan amount. The funds will first be used to pay for your tuition, fees, room and board, and other school charges. If any loan money remains, your parents will receive the amount as a check or in cash, unless they authorize it to be released to you or to be put in your school account. Any remaining loan money must be used for your education expenses.

Will my parents have an opportunity to cancel their PLUS Loan after they sign the promissory note?*

Yes. Your school must notify your parents in writing whenever it credits your account with your PLUS Loan funds. This notification must be sent to your parents no earlier than 30 days before and no later than 30 days after the school credits your account. Your parents may cancel all or a portion of their loan if they inform your school that they wish to do so within 14 days after the date that your school sends this notice, or by the first day of the payment period, whichever is later. Your school can tell you the first day of your payment period. If your parents receive PLUS Loan funds directly by check, they may refuse the funds by not endorsing the check.

Is there a charge for a PLUS Loan?

Your parents will pay a fee of up to 4 percent of the loan. This fee is deducted proportionately each time a loan disbursement is made. For a FFEL PLUS Loan, a portion of this fee goes to the federal government and a portion goes to the guaranty agency* to help reduce the cost of the loans. For a Direct PLUS Loan, the entire fee goes to the government to help reduce the cost of the loans. Also, if your parents don't make their loan payments when they're scheduled, your parents may be charged collection costs and late fees.

When do my parents begin repaying a PLUS Loan?

Generally, repayment must begin within 60 days after the final loan disbursement for the period of enrollment for which you borrowed. There is no grace period for these loans. This means that interest begins to accumulate at the time the first disbursement is made. Your parents must begin repaying both principal and interest while you're in school.

Is it ever possible to postpone repayment of a PLUS Loan?

Yes. Under certain circumstances, your parents can receive a deferment or forbearance on their loan. Deferment and forbearance are explained on page 16. Generally, the conditions for eligibility and procedures for requesting a deferment or forbearance that apply to Stafford Loans also apply to PLUS Loans. However, since all PLUS Loans are unsubsidized, your parents will be charged interest during periods of deferment or forbearance. If they do not pay the interest as it accrues, it will be capitalized (see page 14).

Can a PLUS Loan be discharged (canceled)?

Yes, under certain conditions. A discharge releases your parents from all obligations to repay the loan. A complete listing of cancellation provisions is given on page 17.

Your parents' loan cannot be discharged because you didn't complete your program of study at your school (unless you were unable to complete the program because the school closed), didn't like the school or the program of study, or didn't obtain employment after completing the program of study.

For more information about loan discharge or repayment, Direct PLUS Loan borrowers should contact the Direct Loan Servicing Center at 1-800-848-0979. FFEL PLUS Loan borrowers should contact the lenders or agencies that hold their loans.

Direct PLUS Loans

The processes of applying for a loan as well as the repayment plans offered differ somewhat for Direct PLUS Loans and FFEL PLUS Loans.

How do my parents apply for a Direct PLUS Loan?

Your parents must complete and submit a FAFSA (available through the Internet on *FAFSA on the Web* or in print from your school or library) and a Direct PLUS Loan Application and Promissory Note, which are available from your school's financial aid office.

Do my parents need to find a lender?

No. Under the Direct Loan Program, their lender will be the U.S. Department of Education. Your school assists the federal government in administering the Direct Loan Program by distributing the loan application, processing the loan, and disbursing the loan funds.

How do my parents pay back the loan?

Your parents can choose the Standard, Extended, or Graduated Repayment Plan (see page 18). The Income Contingent Repayment Plan is not an option for Direct PLUS borrowers. A Direct PLUS loan can also be consolidated. See page 21 for more information on loan

consolidation. Some benefits might be lost if you consolidate PLUS loans. Check with the Consolidation Department (see page 22) to find out if loan consolidation is for you.

FFEL PLUS Loans

The processes of applying for a loan and paying funds to the borrower, as well as the repayment plans offered, differ somewhat for FFEL PLUS Loans and Direct PLUS Loans.

How do my parents apply for a FFEL PLUS Loan?

Your parents must complete and submit a FAFSA (available through the Internet on *FAFSA on the Web* or in print from your school or library) and a PLUS Loan application (available from your school, a lender, or your state guaranty agency*). After the school completes its portion of the application, it must be sent to a lender for evaluation.

How can my parents find a lender?

Your parents should contact your school or the guaranty agency* that serves your state. For your agency's address and telephone number, and for more information about borrowing, you can contact the Federal Student Aid Information Center at the address or toll-free number listed on page 12. A directory of guaranty agencies is available on the Department of Education's World Wide Web site at

www.ed.gov/Programs/bastmp/SGA.htm

How do my parents pay back the loan?

The lender will arrange a repayment schedule. Parents can usually choose the Standard, Extended, or Graduated Repayment Plan. Depending on the lender, additional repayment plans may be available. FFEL PLUS loans can also be consolidated. Check with your lender to find out if loan consolidation is for you.

Consolidation Loans

A Consolidation Loan is designed to help student and parent borrowers simplify loan repayment by allowing the borrower to combine several types of federal student loans with various repayment schedules into one loan. You can even consolidate just one loan into a Direct Consolidation Loan, in order to get benefits such as flexible repayment options. If you have more than one loan, a Consolidation Loan simplifies the repayment process because you make only one payment a month. Also, the interest rate on the Consolidation Loan might be lower than what you're currently paying on one or more of your loans. And if you're in default* on a federal student loan, you might be eligible for a Consolidation Loan if certain conditions are met.

Both the Direct Loan Program and the FFEL Program offer Consolidation Loans. Direct Consolidation Loans are available from the U.S. Department of Education. FFEL Consolidation Loans are available from participating lenders such as banks, credit unions, and savings and loan associations.

Note that a lender may not refuse to consolidate your loans because of

- ☐ the number or type of loans you want to consolidate.
- ☐ the type of school you attended.
- ☐ the interest rate you would be charged on a consolidation loan.
- ☐ the types of repayment schedules available to you.

What is the interest rate on a Consolidation Loan?

As of February 1, 1999 the interest rate for both Direct Consolidation Loans and FFEL Consolidation Loans became a fixed rate for the entire time you are repaying the loan. The fixed rate is based on the weighted average of the interest rates on the loans being consolidated, rounded up to the nearest one-eighth of a percent. By law, the interest rate will never exceed 8.25 percent.

Prior to February 1, 1999 Consolidation Loans had variable interest rates. For information on interest rates for Consolidation Loans made prior to February 1, 1999, check with the Loan Origination Center's Consolidation Department at the number listed on page 22 if you have a Direct Consolidation Loan or with your lender if you have a FFEL Consolidation Loan.

Direct Consolidation Loans

Who is eligible for a Direct Consolidation Loan?

You can get a Direct Consolidation Loan during your grace period, once you have entered repayment, or during periods of deferment or forbearance. You must consolidate at least one Direct Loan or FFEL. If you don't have a Direct Loan, but you have a FFEL, you must first contact a FFEL lender who makes FFEL Consolidation Loans to ask about obtaining a FFEL Consolidation Loan. If you are unable to obtain a FFEL Consolidation Loan or you are unable to obtain one with income-sensitive repayment terms that are acceptable to you and you are eligible for the Direct Loan Income Contingent Repayment Plan, you are eligible to apply for a Direct Consolidation Loan.

If you are still in school, you may apply for a Direct Consolidation Loan for any Direct Loans or FFELs if you (a) are attending at least half time* and (b) have at least one Direct Loan or FFEL program in an "in-school period." (Generally, your loan is in an in-school period if you have been continuously enrolled at least half time* since the loan was disbursed.) In addition, if the school you are attending is not a Direct Loan school, at least one of the loans that you consolidate must be a Direct Loan.

If you're in default* on a federal student loan, you might be

able to receive a Direct Consolidation Loan. For more information, contact the Loan Origination Center's Consolidation Department at

Loan Origination Center's Consolidation Department
1-800-557-7392

The Center answers your questions between 8 a.m. and 8 p.m. (Eastern Time), Monday through Friday.

loanconsolidation.ed.gov

TTY users may call

1-800-557-7395

What kinds of loans can be consolidated under a Direct Consolidation Loan?

All the loans discussed in this publication are eligible for consolidation. The Loan Origination Center's Consolidation Department can give you a complete listing of eligible loans. There are three categories of Direct Consolidation Loans:

- Direct Subsidized Consolidation Loans
- Direct Unsubsidized Consolidation Loans
- Direct PLUS Consolidation Loans

If you have loans from more than one category, you still have only one Direct Consolidation Loan and make only one monthly payment. However, interest rates differ, as do repayment and deferment options, depending on the loan category.

How do I pay back my Direct Consolidation Loan?

Generally, all the Direct Loan repayment plans are available to borrowers of Direct Consolidation Loans. However, Direct PLUS Consolidation Loans are not eligible to be repaid under the Income Contingent Repayment Plan or might not be eligible for some discharge/cancellation benefits.

What are repayment incentives?

Incentives are sometimes offered to students who repay their loans on time. These incentives might come in the form of interest rate rebates or reductions. For information on repayment incentives and their availability contact the Loan Origination Center's Consolidation Department (see above).

How can I get a Direct Consolidation Loan?

You'll be given more information about Consolidation Loans during entrance and exit counseling sessions at your school. You may also contact the Loan Origination Center's Consolidation Department at the number and Web site address listed above.

FFEL Consolidation Loans

Who is eligible for a FFEL Consolidation Loan?

You can get a Direct Consolidation Loan during your grace period, once you have entered repayment, or during periods of deferment or forbearance.

If you're in default* on a federal student loan, you might be able to receive a FFEL Consolidation Loan provided the defaulted loan is not subject to a judgment or wage garnishment. For more information, contact a lender that participates in the FFEL Consolidation Loan Program.

What kinds of loans can be consolidated under a FFEL Consolidation Loan?

All of the loans discussed in this publication are eligible for consolidation. A participating lender can give you a complete listing of eligible loans.

You will receive either a Subsidized and/or an Unsubsidized FFEL Consolidation Loan, depending on the types of loans you are consolidating.

How do I pay back my FFEL Consolidation Loan?

All the FFEL repayment plans are available to borrowers of FFEL Consolidation Loans.

How can I get a FFEL Consolidation Loan?

You'll be given more information about Consolidation Loans during entrance and exit counseling sessions at your school. You may also contact the consolidation department of a participating lender for an application or more information. If the same holder holds all of the loans you want to consolidate, you must obtain your consolidation loan from that holder, unless you have been unable to secure a loan with income-sensitive repayment terms.

Campus-Based Programs

The three programs discussed in this section are called campus-based programs because they're administered directly by the financial aid office at each participating school. Not all schools participate in all three programs. The Federal Supplemental Educational Opportunity Grant (FSEOG) Program awards grants; the Federal Work-Study Program offers jobs; and the Federal Perkins Loan Program offers loans. Even though each program is different, they have these characteristics in common:

- How much aid you receive depends on such factors as your financial need (see page 8), on the amount of other aid you'll receive, and on the availability of funds at your school. Unlike the Federal Pell Grant Program, which provides every eligible student with funds, each school participating in any of the campus-based programs receives a certain amount of funds each year from the federal government for each campus-based program. When that money is gone, no more awards can be made from that program for that year.
- Each school sets its own deadlines for students to apply for campus-based funds. The deadlines will usually be earlier than the U.S. Department of Education's deadline for filing a FAFSA (for 2002-2003, June 30, 2003). Ask your financial aid administrator about the school's deadlines. You may miss out on aid from these programs if you don't apply early.

Federal Supplemental Educational Opportunity Grants (FSEOG)

What is a Federal Supplemental Educational Opportunity Grant?

An FSEOG is for undergraduates with exceptional financial need—that is, students with the lowest EFCs—and gives priority to students who receive Federal Pell Grants. An FSEOG doesn't have to be paid back.

What's the difference between the FSEOG and Federal Pell Grant?

The U.S. Department of Education guarantees that each participating school will receive enough money to pay the Federal Pell Grants of its eligible students. There's no guarantee every eligible student will be able to receive an FSEOG; students at each school will be awarded an FSEOG based on the availability of funds at that school.

How much money can I get?

You can receive between $100 and $4,000 a year, depending on when you apply, your need, the funding level of the school you're attending, and the policies of the financial aid office where you attend school.

How will I be paid?

Your school will credit your account, pay you directly (usually by check), or combine these methods. Schools must pay students at least once per term (semester, trimester, or quarter). Generally, schools that do not use traditional terms must pay you at least twice during the academic year.*

Federal Work-Study

What is Federal Work-Study?

The Federal Work-Study Program provides jobs for undergraduate and graduate students with financial need, allowing them to earn money to help pay education expenses. The program encourages community service work and work related to your course of study.

How much will I make?

Your Federal Work-Study wages will be at least the current federal minimum wage, but they may be higher depending on the type of work you do and the skills required. Your total Federal Work-Study award depends on when you apply, your level of need, and the funding level of your school. Commissions or fees must not be paid to Federal Work-Study students.

How will I be paid?

If you're an undergraduate, you'll be paid by the hour. If you're a graduate student, you might be paid by the hour or you may receive a salary. Your school must pay you at least once a month. Your school must pay you directly, unless you request that the school make payments to your bank account, or use the money to pay for your institutional charges such as tuition, fees, room and board.

Are Federal Work-Study jobs on campus or off campus?

Both. If you work on campus, you'll usually work for your

*See "Important Terms" Pages 31 to 32

school. If you work off campus, your employer will usually be a private nonprofit organization or a public agency, and the work performed must be in the public interest. Some schools might have agreements with private for-profit employers for Federal Work-Study jobs, which must be judged to be relevant to your course of study to the maximum extent possible. If you attend a proprietary school, there may be further restrictions on the jobs you can be assigned.

Can I work as many hours as I want?

No. The amount you earn can't exceed your total Federal Work-Study award. When assigning work hours, your employer or financial aid administrator will consider your class schedule and your academic progress.

Federal Perkins Loans

What is a Federal Perkins Loan?

A Federal Perkins Loan is a low-interest (5 percent) loan for both undergraduate and graduate students with financial need. Your school is your lender. The loan is made with government funds with a share contributed by the school. You must repay this loan to your school.

How much can I borrow?

Depending on when you apply, your level of need, and the funding level of the school, you can borrow up to

- $4,000 for each year of undergraduate study (the total amount you can borrow as an undergraduate is $20,000).
- $6,000 for each year of graduate or professional study (the total amount you can borrow as a graduate/professional student is $40,000, including any Federal Perkins Loans you borrowed as an undergraduate).

Is there a charge for this loan?

No. A Perkins Loan borrower is not charged any fees for the loan. However, if you skip a payment, make a payment late, or make less than a full payment, you might have to pay a late charge. If your failure to make payments persists, you might have to pay collection costs as well.

How will I be paid?

Your school will either pay you directly (usually by check) or credit your account. Generally, you'll receive the loan in at least two payments during the academic year.*

Will I have an opportunity to cancel my loan after I sign the promissory note?*

Yes. Your school must notify you in writing whenever it credits your account with your Perkins Loan funds. This notification must be sent to you no earlier than 30 days before and no later than 30 days after the school credits your account. You may cancel all or a portion of your loan if you inform your school that you wish to do so within 14 days after the date that your school sends you this notice, or by the first day of the payment period, whichever is later. Your school can tell you the first day of your payment period. If you receive Perkins Loan funds directly by check, you may refuse the funds by returning the check.

When do I pay back this loan?

If you're attending school at least half time,* you have nine months after you graduate, leave school, or drop below half time* status before you must begin repayment (you may have longer than nine months if you are on active duty with the military). This is called a grace period. If you're attending less than half time,* check with your financial aid administrator to determine your grace period. At the end of your grace period, you must begin repaying your loan. You may be allowed up to 10 years to repay.

How much will I have to repay each month?

Your monthly payment amount will depend on the size of your debt and the length of your repayment period.

The chart on this page shows typical monthly payments and total interest charges for three different 5-percent loans over a 10-year period.

Examples of Typical Payments for Perkins Loan Repayment

Total Loan Amount	Number of Payments	Approximate Monthly Payment	Total Interest Charges	Total Repaid
$4,000	120	$42.43	$1,091.01	$5,091.01
5,000	120	53.03	1,364.03	6,364.03
15,000	120	159.10	4,091.73	19,091.73

Can I postpone repayment of my Federal Perkins Loan?

Yes. Under certain conditions, you can receive a deferment or forbearance on your loan. During a **deferment**, you are allowed to temporarily postpone payments on your loan, and no interest accrues. See page 28 for the list of deferments available.

Deferments are not automatic. You must apply for one through your school by using a deferment request form your school can give you. You must file your deferment request on time or you'll pay a late charge. For more details on deferments, contact your financial aid office.

If you are temporarily unable to meet your repayment schedule but are not eligible for a deferment, you can receive **forbearance** for a limited and specific period. During forbearance, your payments are postponed or reduced. Interest continues to accrue; you are responsible for it.

Forbearance isn't automatic either. You may be granted forbearance in up to 12-month intervals for up to three years. You must apply in writing for forbearance through the school that made your loan or the agency the school employs to service your loan. You'll have to provide documentation to support your request for forbearance. You must continue making scheduled payments until you are notified that deferment or forbearance has been granted.

Can my Federal Perkins Loan be canceled?

Yes. The loan can be canceled if the borrower dies or becomes totally and permanently disabled. A loan can also qualify for cancellation under certain other conditions—as long as the borrower is not in default.* See page 26 for the list of cancellation provisions. For more information, contact your financial aid office.

If you serve as an enlisted person in certain specialties of the Armed Forces, the U.S. Department of Defense might, as an enlistment incentive, repay a portion of your student loan. Note that this is not a cancellation. If you think you qualify, contact your recruiting officer.

If you have any questions about the terms of your Federal Perkins Loan, repayment obligations, deferment, forbearance, or cancellation, check with the school that made the loan. Only that school may grant deferment, forbearance, or cancellation, or make other decisions concerning your loan.

*See "Important Terms" Pages 31 to 32

Perkins Discharge/Cancellation Summary

Cancellation Conditions	Amount Forgiven	Notes
Borrower's total and permanent disability or death	100%	
Full-time teacher in a designated elementary or secondary school serving students from low-income families	Up to 100%	Service qualifies for deferment also.
Full-time special education teacher (includes teaching children with disabilities in a public or other nonprofit elementary or secondary school)	Up to 100%	Service qualifies for deferment also.
Full-time qualified professional provider of early intervention services for the disabled	Up to 100%	Service qualifies for deferment also.
Full-time teacher of math, science, foreign languages, bilingual education, or in other fields designated as teacher shortage areas	Up to 100%	Service qualifies for deferment also.
Full-time employee of a public or non-profit child- or family-services agency providing services to high-risk children and their families from low-income communities	Up to 100%	Service qualifies for deferment also.
Full-time nurse or medical technician	Up to 100%	Service qualifies for deferment also.
Service as a full-time law enforcement or corrections officer	Up to 100%	Service qualifies for deferment also.
Full-time staff member in the education component of a Head Start Program	Up to 100%	Service qualifies for deferment also.
Vista or Peace Corps volunteer	Up to 70%	Service qualifies for deferment also.
Service in the U.S. Armed Forces	Up to 50% in areas of hostilities or imminent danger	Service qualifies for deferment also.
Bankruptcy (in rare cases)	Up to 100%	Cancellation is possible only if the bankruptcy court rules that repayment would cause undue hardship.
Closed school (before student could complete program of study)	100%	For loans received on or after January 1, 1986.

As of October 7, 1998, all Perkins Loan borrowers are eligible for all cancellation benefits regardless of when the loan was made or the terms of the borrower's promissory note. However, this new benefit is not retroactive to services performed before October 7, 1998

More information on teaching service cancellation/deferment options can be found at www.ed.gov/offices/OSFAP/Students/repayment/teachers/

Borrower Responsibilities and Rights

Responsibilities

When you take out a student loan, you have certain responsibilities. Here are some important ones:

- When you sign a promissory note,* you're agreeing to repay the loan according to the terms of the note. The note is a binding legal document and states that, except in cases of loan discharge (see pages 17 and 26), you must repay the loan—even if you don't complete your education (unless you were unable to complete your program of study because the school closed); you aren't able to get a job after you complete the program; or are dissatisfied with, or don't receive, the education you paid for.
- You should think about what your repayment obligation means before you take out a loan. If you don't repay your loan on time or according to the terms in your promissory note,* you may go into default,* which has very serious consequences and will affect your credit rating.
- You must make payments on your loan even if you don't receive a bill or repayment notice. Billing statements (or coupon books) are sent to you as a convenience, but you're obligated to make payments even if you don't receive any reminders. You must also make monthly payments in the full amount established by the repayment plan. Partial payments do not fulfill your obligation.
- If you apply for a deferment or forbearance, you must continue to make payments until you are notified that the request has been granted. If you don't, you may end up in default.* You should keep a copy of any request form you submit, and you should document all contacts with the organization that holds your loan. You must notify the loan servicer when you graduate, withdraw from school, or drop below half time* status; change your name, address, or Social Security Number; or transfer to another school.
- If you borrow a Perkins Loan, your loan will be serviced by the school that lends you the money or by an agency that the school employs to service the loan.
- If you borrow a Direct Loan, your loan will be serviced by the Direct Loan Servicing Center.
- If you borrow under the FFEL Program, your lender or its servicing agent will service your loan. During your loan counseling session, you'll be given the name of the loan servicer.
- Regardless of the type of loan you borrow, you must receive entrance counseling before you're given your first loan disbursement, and you must receive exit counseling before you leave school. These counseling sessions will be administered by your school and will provide you with important information about your loan. Your lender will provide you with additional information about your loan.

*See "Important Terms" Pages 31 to 32

Loan Deferment Summary

Deferment Condition	Direct Loans[1,2]	FFELs[3]	Perkins Loans
At least half-time study at a postsecondary school	YES	YES	YES
Study in an approved graduate fellowship program or in an approved rehabilitation training program for the disabled	YES	YES	YES
Unable to find full-time employment	Up to 3 years	Up to 3 years	Up to 3 years
Economic hardship	Up to 3 years[4]	Up to 3 years[4]	Up to 3 years
Engages in service listed under discharge/cancellation conditions (see pages 17 and 26)	NO	NO	YES[5]

Note: You must formally request a deferment through the procedures established by the holder of your loan, and you must continue making payments until you're notified that the deferment has been granted.

1. For PLUS Loans and unsubsidized student loans, only principal is deferred. Interest continues to accrue.
2. Direct Loan borrowers who have outstanding balances on FFEL Loans disbursed prior to July 1993, might be eligible for additional deferments provided the outstanding balance on the FFEL existed when the borrower received their first Direct Loan.
3. Applies to loans first disbursed on or after July 1, 1993, to borrowers who have no outstanding FFELs or Federal Supplemental Loans for Students (Federal SLS Program) on the date they signed their promissory note. (Note that the Federal SLS Program was repealed beginning with the 1994-1995 award year.)
4. Many Peace Corps volunteers will qualify for a deferment based on economic hardship.
5. More information on teaching service deferments can be found on the Internet at www.ed.gov/offices/OSFAP/Students/repayment/teachers/

If you default* on your loan, your school, the lender or agency that holds your loan, the state, and the federal government may all take action to recover the money, including notifying national credit bureaus of your default.* This affects your credit rating for a long time. For example, you may find it very difficult to borrow money from a bank to buy a car or a house.

In addition, if you default,* the U.S. Department of Education might ask the Internal Revenue Service to withhold your U.S. individual income tax refund and apply it to the amount you owe or the agency holding your loan may ask your employer to deduct payments from your paycheck. Also, you are liable for expenses incurred in collecting the loan. If you decide to return to school, you're not entitled to receive any more federal student aid. Legal action might also be taken against you.

Rights

You have certain rights as a borrower. Listed below are some of them.

Before your school makes your first loan disbursement, you'll receive the following information about your loan from your school, lender, and/or the Direct Loan Servicing Center:

- ☐ the full amount of the loan;
- ☐ the interest rate;
- ☐ the date you must start repaying the loan (based on the anticipated graduation date recorded on the promissory note);
- ☐ a complete list of any charges you must pay (loan fees) and information on how those charges are collected;
- ☐ information about the yearly and total amounts you can borrow;
- ☐ information about the maximum repayment periods and the minimum repayment amount;
- ☐ an explanation of default* and its consequences;
- ☐ an explanation of available options for consolidating or refinancing your loan; and
- ☐ a statement that you can prepay your loan at any time without penalty.

Your school must notify you (or your parents for a PLUS Loan) in writing whenever it credits your account with Stafford Loan, PLUS Loan, or Perkins Loan funds. This notification must be sent no earlier than 30 days before and no later than 30 days after the school credits your account. You (or your parents for a PLUS Loan) may cancel all or a

portion of the loan by informing your school within 14 days after the date that your school sends this notice, or by the first day of the payment period, whichever is later. Your school can tell you the first day of your payment period. If you or your parents receive loan funds directly by check, the funds may be refused by returning the check.

Before you leave school, you'll receive the following information about your loan from your school, lender, and/or the Direct Loan Servicing Center:

- ☐ the amount of your total debt (principal and estimated interest), what your interest rate is, and the total interest charges on your loan;
- ☐ if you have FFELs, the name of the lender or agency that holds your loans, where to send your payments, and where to write or call if you have questions;
- ☐ if you have Direct Loans, the address and telephone number of the Direct Loan Servicing Center;
- ☐ an explanation of the fees you might be charged during the repayment period, such as late charges and collection or litigation costs if you're delinquent or in default;*
- ☐ an explanation of available options for consolidating or refinancing your loan; and
- ☐ a statement that you can prepay your loan without penalty at any time.

If you borrow a Federal Perkins Loan, your school will provide this information to you. If you borrow a Direct Loan or a FFEL, the Direct Loan Servicing Center or your lender will provide this information to you, as appropriate.

If you have Direct or FFEL Stafford loans, your school will also provide you with the following information during your exit counseling session:

- ☐ a current description of your loans, including average monthly anticipated payments;
- ☐ a description of applicable deferment, forbearance, and discharge provisions;
- ☐ repayment options;
- ☐ advice about debt management that will help you in making your payments; and
- ☐ notification that you must provide your expected permanent address, the name and address of your expected employer, and any corrections to your school's records concerning your name, Social Security Number, references, and driver's license number (if you have one).

You have the right to a grace period before your repayment period begins. (Your parents do not receive a grace period for a PLUS Loan.) Your grace period begins when you leave school or drop below half time* status.

Your school, lender, and/or the Direct Loan Servicing Center, as appropriate, must give you a loan repayment schedule that states when your first payment is due, the number and frequency of payments, and the amount of each payment.

You must be given a summary of deferment and discharge (cancellation) provisions, including the conditions under which the U.S. Department of Defense might repay your loan.

If you or your parents borrow under the FFEL Program, you (or your parents for a PLUS Loan) must be notified when the loan is sold if the sale results in making payments to a new lender or agency. Both the old and new lender or agency must notify the borrower of the sale; of the identity of the new lender or agency holding the loan; of the address to which the borrower must make payments; and of the telephone numbers of both the old and new lender or agency.

Tracking Your Loan Information From Aid Approval Through Closure

The National Student Loan Data System (NSLDS) is the U.S. Department of Education's central database for student aid. It receives data from schools, agencies that guarantee loans, the Direct Loan Program, the Pell Grant Program, and other U.S. Department of Education programs. NSLDS provides a centralized, integrated view of federal student loans and Pell Grants that are tracked through their entire cycle, from aid approval through closure.

The NSLDS Web site is available 24 hours a day, seven days a week. (Note that maintenance of the NSLDS database can occur on the weekends or during late hours. This may cause the site to be unavailable for a brief period while the maintenance is performed.)

You can use NSLDS to make inquiries about your loans and/or Pell Grants using your PIN (see page 9). The site displays information on loan and/or grant amounts, outstanding balances, loan statuses, and disbursements. The NSLDS Glossary of Terms contains information on terms relating to loans and grants.

You may access your information on the Internet at

nslds.ed.gov

*See "Important Terms" Pages 31 to 32

Notes

Important Terms

Academic Year: A period of time schools use to measure a quantity of study. For example, a school's academic year may consist of a fall and spring semester during which a student must complete 24 semester hours. Academic years vary from school to school and even from educational program to educational program at the same school.

Citizen/Eligible Noncitizen: You must be one of the following to receive federal student aid:

- ☐ U.S. citizen
- ☐ U.S. national (includes natives of American Samoa or Swain's Island)
- ☐ U.S. permanent resident who has an I-151, I-551, or I-551C (Alien Registration Receipt Card)

If you're not in one of these categories, you must have an Arrival-Departure Record (I-94) from the U.S. Immigration and Naturalization Service (INS) showing one of the following designations in order to be eligible:

- ☐ "Refugee"
- ☐ "Asylum Granted"
- ☐ "Indefinite Parole" and/or "Humanitarian Parole"
- ☐ "Cuban-Haitian Entrant, Status Pending"
- ☐ "Conditional Entrant" (valid only if issued before April 1, 1980)

If you have only a Notice of Approval to Apply for Permanent Residence (I-171 or I-464), you aren't eligible for federal student aid.

If you're in the United States on an F1 or F2 student visa only, or on a J1 or J2 exchange visitor visa only, you can't get federal student aid. Also, persons with G series visas (pertaining to international organizations) are not eligible for federal student aid.

NOTE: Citizens and eligible noncitizens may receive loans from the FFEL program at participating foreign schools.

Citizens of the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau are eligible only for Federal Pell Grants, FSEOGs, or Federal Work-Study. These applicants should check with their financial aid administrators for more information.

Cost of Attendance (COA): The total amount it will cost a student to go to school—usually expressed as a yearly figure. It is determined using rules established by law. The COA includes tuition and fees; on-campus room and board (or a housing and food allowance for off-campus students); and allowances for books, supplies, transportation, loan fees, and, if applicable, dependent care, costs related to a disability, and miscellaneous expenses, including an allowance for the rental or purchase of a personal computer. Also included are reasonable costs for eligible study-abroad programs. For students attending less than half time,* the COA includes only tuition and fees and an allowance for books, supplies, transportation, and dependent care expenses. Talk to the financial aid administrator at the school you're planning to attend if you have any unusual expenses that might affect your cost of attendance.

Default: Failure to repay a loan according to the terms agreed to when you signed a promissory note.* In many cases, default may be avoided by submitting a request for a deferment or cancellation and by providing the required documentation prior to reaching the point in which you will be considered in default. The consequences of default are severe. For more information, see page 28.

Eligible Program: A course of study that leads to a degree or certificate and meets the U.S. Department of Education's requirements for an eligible program. To get federal financial aid, you must be enrolled in an eligible program, with two exceptions:

- If a school has told you that you must take certain coursework to qualify for admission into one of its eligible programs, you can get a Direct Loan or a FFEL for up to 12 consecutive months while you're completing that coursework. You must be enrolled at least half time,* and you must meet the usual student aid eligibility requirements.
- If you're enrolled at least half time* in a program to obtain a professional credential or certification required by a state for employment as an elementary or secondary school teacher, you can get a Federal Perkins Loan, Federal Work-Study, a Direct or FFEL Stafford loan (or your parents can get a PLUS Loan) while you're enrolled in that program.

Expected Family Contribution (EFC): The formula used to calculate your EFC is established by law and is used to measure your family's financial strength on the basis of your family's income and assets. The EFC is used to determine your eligibility for federal student aid.

Financial Aid Package: The total amount of financial aid (federal and nonfederal) a student receives.

General Education Development (GED) Certificate: A certificate students receive if they've passed a specific, approved high school equivalency test. Students who don't have a high school diploma but who have a GED may still qualify for federal student aid. A school that admits students without a high school diploma must make a GED program in the vicinity of the school available to these students and must inform them about the program. Students who pass an approved ability-to-benefit (ATB) test may also be qualified. An applicant without a high school diploma or its recognized equivalent can be eligible for funds if he or she 1) passes an independently administered ATB test approved by the Department of Education and used for determining the student's ability to benefit from postsecondary education or 2) enrolls in a school that participates in a process that has been both prescribed by the state in which the school is located and approved by the Department.

Guaranty Agency: The organization that administers the FFEL Program in your state. This agency is the best source of information on FFELs. To find out the name, address, and telephone number of the agency serving your state you can contact the Federal Student Aid Information Center at the address or phone number listed on page 12. A directory of guaranty agencies is available on the Department of Education's Web site at

www.ed.gov/Programs/bastmp/SGA.htm

Half time: At schools measuring progress in credit hours and semesters, trimesters, or quarters, half time enrollment is at least six semester hours or quarter hours per term. At schools measuring progress by credit hours but not using semesters, trimesters, or quarters, half time enrollment is at least 12 semester hours or 18 quarter hours per year. At schools measuring progress by clock hours, half time enrollment is at least 12 hours per week. Note that schools may choose to set higher minimums than these.

You must be attending school at least half time to be eligible to receive a Direct Loan or FFEL. Half time enrollment is not a requirement to receive aid from the Federal Pell Grant, FSEOG, Federal Work-Study, or Federal Perkins Loan programs.

Promissory Note: The binding legal document you sign when you get a student loan. It lists the conditions under which you're borrowing and the terms under which you agree to pay back the loan. It will include information on how interest is calculated and about deferment and cancellation provisions. It's very important to read and save this document because you'll need to refer to it later when you begin repaying your loan.

Regular Student: One who is enrolled in an institution to obtain a degree or certificate. Generally, to receive aid from the programs discussed in this booklet, you must be a regular student. (For some programs, there are exceptions to this requirement. See the definition of eligible program.)

Satisfactory Academic Progress: To be eligible to receive federal student aid, you must maintain satisfactory academic progress toward a degree or certificate. You must meet your school's written standard of satisfactory progress. Check with your school to find out about its standard.

Selective Service Registration: If required by law, you must register, or arrange to register, with the Selective Service to receive federal student aid. The requirement to register applies to males who were born on or after January 1, 1960, are at least 18 years old, and are not currently on active duty in the U.S. Armed Forces. (Citizens of the Federated States of Micronesia, the Republic of the Marshall Islands, or the Republic of Palau are exempt from registering.)

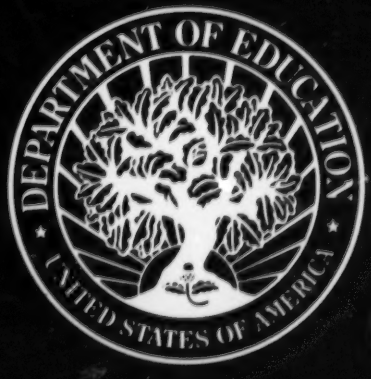
Notes

Notes

State Higher Education Agencies

These agencies provide information on state education programs, colleges and universities, student aid assistance programs, grants, scholarships, continuing education programs, career opportunities, and some guaranty agencies. You can search our database at www.ed.gov/Programs/bastmp/SHEA.htm for contact information and Web site addresses or contact the agency at the telephone number listed below:

State	*Telephone Number*	*State*	*Telephone Number*
Alabama	1-334-242-1998	New Hampshire	1-603-271-2555
Alaska	1-800-441-2962	New Jersey	1-800-792-8670
Arizona	1-602-229-2591	New Mexico	1-800-279-9777
Arkansas	1-800-547-8839	New York	1-888-697-4372
California	1-916-526-8047	North Carolina	1-919-549-8614
Colorado	1-303-866-2723	North Dakota	1-701-328-4114
Connecticut	1-860-947-1833	Ohio	1-888-833-1133
Delaware	1-800-292-7935	Oklahoma	1-800-858-1840
District of Columbia	1-202-698-2400	Oregon	1-800-452-8807
Florida	1-888-827-2004	Pennsylvania	1-800-692-7392
Georgia	1-800-766-6878	Rhode Island	1-800-922-9855
Hawaii	1-808-956-8213	South Carolina	1-803-737-2260
Idaho	1-208-334-2270	South Dakota	1-605-773-3455
Illinois	1-800-899-4722	Tennessee	1-615-741-3605
Indiana	1-317-232-2350	Texas	1-800-242-3062
Iowa	1-800-383-4222	Utah	1-800-418-8757
Kansas	1-785-296-3421	Vermont	1-800-642-3177
Kentucky	1-800-928-8926	Virginia	1-804-225-2600
Louisiana	1-800-259-5626	Washington	1-360-753-7800
Maine	1-800-228-3734	West Virginia	1-888-825-5707
Maryland	1-410-260-4565	Wisconsin	1-608-267-2206
Massachusetts	1-617-994-6950	Wyoming	1-307-777-7763
Michigan	1-877-323-2287	American Samoa	1-684-699-1141
Minnesota	1-800-657-0866	Guam	1-671-734-4469
Mississippi	1-601-432-6997	Northern Mariana Islands	1-670-234-6128
Missouri	1-800-473-6757	Puerto Rico	1-787-724-7100
Montana	1-800-537-7508	Republic of the Marshall Islands	1-692-625-3108
Nebraska	1-402-471-2847	Republic of Palau	1-680-488-1003
Nevada	1-702-486-7330	Virgin Islands	1-340-774-4546



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Student Financial Assistance
U.S. Department of Education

We help put America through school